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FINANCIAL STATEMENTS FOR
THE FINANCIAL YEAR
1 JULY 2006 TO 30 JUNE 2007

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS

For the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 89 to 175, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with the Act.

ADVOCATE J G RICHARDS – BA LLB
MUNICIPAL MANAGER

Date

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007

	Note	2007 R	Restated 2006 R
NET ASSETS AND LIABILITIES			
Net Assets		4,190,306,004	3,763,306,481
Housing Development Fund	1	76,530,350	83,038,007
Capital Replacement Reserve		422,916,174	236,317,538
Capitalisation Reserve		1,161,615,188	1,276,374,971
Government Grant Reserve		1,206,890,781	685,371,949
Donations and Public Contributions Reserves		214,531,463	119,533,930
Self-Insurance Reserve		85,121,592	75,563,229
Accumulated Surplus		1,022,700,456	1,287,106,857
Non-current liabilities		1,050,181,062	731,111,591
Long-term Liabilities	2	213,833,597	413,256,746
Non-current Provisions	3	836,347,465	317,854,845
Current Liabilities		1,446,646,899	1,124,995,103
Consumer deposits	4	86,590,950	80,634,634
Creditors	5	878,321,965	544,571,149
Unspent Conditional Grants and Receipts	6	462,970,099	473,419,238
Current Portion of Long-term Liabilities	2	18,763,885	26,370,082
Total Net Assets and Liabilities		6,687,133,965	5,619,413,175
ASSETS			
Non-current assets		5,628,553,564	4,766,715,055
Property, Plant and Equipment	7	3,966,145,658	3,165,617,250
Intangible Assets	8	147,365,308	87,589,576
Investments	10	1,444,792,962	1,467,861,595
Long-term Receivables	11	70,249,636	45,646,634
Current Assets		1,058,580,401	852,698,120
Inventory	12	78,981,295	66,033,978
Consumer debtors	13	592,034,762	582,128,177
Other Debtors	14	102,524,522	89,463,592
VAT	15	11,945,743	3,822,843
Current portion of long-term receivables	11	2,106,266	3,048,979
Call investment deposits	16	55,555,956	55,174,189
Bank balances and cash	17	215,431,857	53,026,362
Total Assets		6,687,133,965	5,619,413,175

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007**

Budget			Actual	
2006 R	2007 R		2007 R	Restated 2006 R
REVENUE				
506,790,170	541,872,790	Property rates	18 533,190,365	498,866,544
1,558,150,810	1,636,668,000	Service Charges	19 1,653,138,228	1,573,735,823
60,444,110	0	Regional Services Levies - turnover	20 0	68,692,001
177,238,490	0	Regional Services Levies - remuneration	20 0	211,586,760
152,855,790	134,951,780	Interest earned - external investments	141,611,910	124,734,548
44,660,000	55,710,000	Interest earned - outstanding debtors	77,367,970	78,360,901
16,366,120	21,666,190	Fines	17,368,619	13,227,218
80,902,340	6,371,520	Licences and Permits	6,409,122	57,508,895
281,124,860	567,391,660	Government Grants and Subsidies	21 1,251,855,724	521,589,499
83,708,240	183,111,040	Other Income	22 218,536,032	139,682,627
207,150	21,300	Gains on the disposal of property, plant and equipment	593,785	912,465
0	6,246,030	Contributions: Other	877,738,544	257,455,700
2,962,448,080	3,154,010,310	Total Revenue	4,777,810,297	3,546,352,981
EXPENDITURE				
952,948,140	1,025,708,420	Employee related costs	23 1,036,653,107	932,818,668
32,543,350	37,128,850	Remuneration of Councillors	24 35,335,941	29,324,731
603,520	2,134,700	Bad debts	19,604,984	7,926,420
2,073,360	2,177,030	Collection costs	2,061,166	1,949,931
196,370,600	212,002,090	Depreciation	266,587,719	192,016,619
247,004,290	278,089,900	Repairs and Maintenance	307,142,106	257,732,667
35,604,460	28,430,730	Interest paid	25 24,183,338	27,252,118
616,471,490	676,654,920	Bulk purchases	26 666,322,864	601,176,927
6,096,180	13,507,790	Grants and subsidies paid	27 42,970,595	41,108,313
374,002,150	351,614,840	General Expenses	629,994,135	551,599,188
498,730,540	526,561,040	Contributions To/(From) Provisions	1,259,785,579	468,759,830
2,962,448,080	3,154,010,310	Total Expenditure	4,290,641,532	3,111,665,412
Surplus for the year			487,168,764	434,687,569
Refer to Appendix E(1) for explanation of variations				

NELSON MANDELA BAY MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Public Contributions Reserve	Self-Insurance Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R
2006								
Balance at 1 July 2005	80,329,448	228,489,429	2,824,232,119	378,977,220	27,414,302	59,810,273	72,298,053	3,671,550,844
Correction of Error (Note 36)	(9,112,575)	890,925	(1,396,500,398)	(30,100,835)	64,390,541	-	1,010,778,381	(359,653,962)
Change in accounting policy							16,722,031	16,722,031
Restated Balance								
Surplus/(Deficit) for the year	71,216,873	229,380,354	1,427,731,721	348,876,385	91,804,843	59,810,273	1,099,798,465	3,328,618,912
Transfer to CRR		239,933,229	-	-	-		434,687,569	434,687,569
Property, plant and equipment purchased		(232,996,045)	0	0			(239,933,229)	-
Contribution to Reserve							232,996,045	-
Capital Grants used to purchase PPE				343,074,620	27,729,087		(343,074,620)	0
Donated/Contributed PPE							(27,729,087)	0
Contribution to Insurance Reserve						27,154,220	(27,154,220)	0
Insurance claims processed						(11,401,264)	11,401,264	-
Transfer to Housing Development Fund	11,821,135			(6,580,152)			(11,821,135)	-
Offsetting of depreciation			(110,074,296)	1,097			116,654,449	-
Additional Depreciation Reversal			12,610				(13,707)	-
Asset Disposals			(41,295,064)				41,295,064	-
Balance at 30 June 2006	83,038,007	236,317,538	1,276,374,971	685,371,949	119,533,930	75,563,229	1,287,106,857	3,763,308,481
2007								
Opening Balance								
Surplus/(Deficit) for the year	83,038,007	236,317,538	1,276,374,971	685,371,949	119,533,930	75,563,229	1,287,106,857	3,763,308,481
Surplus transferred to Statement of Financial Performance							487,168,764	487,168,764
Transfer to CRR		509,829,166					(53,259,889)	(53,259,889)
Property, plant and equipment purchased		(323,230,530)					(509,829,166)	0
Capital Grants used to purchase PPE							323,230,530	0
Donated/Contributed PPE				561,283,754	95,412,774		(561,283,754)	0
Contribution to Insurance Reserve							(95,412,774)	0
Insurance claims processed						19,935,872	(19,935,872)	0
Transfer from Housing Development Fund	(6,507,657)			(41,847,107)	(1,118,814)	(10,377,509)	10,377,509	0
Offsetting of depreciation			(103,506,940)	2,082,185	703,573		146,472,861	0
Asset Disposals*		-	(20,441,134)				506,519	(17,148,857)
Additional Depreciation Reversal*			9,188,291				1,051,214	10,239,505
Balance at 30 June 2007	76,530,350	422,916,174	1,161,615,188	1,206,890,781	214,531,463	85,121,592	1,022,700,456	4,190,306,004

* The Asset Disposals relate to assets disposed at no value resulting in the amounts having no impact on the Statement of Financial Performance, therefore the future depreciation reserves were written off.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		3 880 149 585	3 527 708 807
Cash paid to suppliers and employees		3 042 632 866	3 084 692 868
Cash generated from operations	28	837 516 719	443 015 939
Interest received		218 979 879	203 095 449
Interest paid	25	(24 183 338)	(27 252 118)
NET CASH FROM OPERATING ACTIVITIES		1 032 313 260	618 859 270
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(887 971 154)	(541 186 046)
Disposal of property, plant and equipment		28 957 564	26 603 284
Purchase of intangible assets		(87 372 758)	-
(Increase)/Decrease in Investment Properties		-	-
(Increase)/Decrease in non-current receivables		(24 603 002)	4 076 903
(Increase)/Decrease in non-current investments		23 068 633	(61 037 421)
NET CASH FROM INVESTING ACTIVITIES		(947 920 717)	(571 543 280)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/ Increase in Long-term loans (External)	30	(199 423 149)	(36 735 750)
(Decrease) in Non-current provisions		(36 109 908)	(39 008 437)
Increase in funds and reserves		313 927 776	9 499 549
NET CASH FROM FINANCING ACTIVITIES		78 394 719	(66 244 638)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		162 787 262	(18 928 648)
Cash and cash equivalents at the beginning of the year		108 200 551	127 129 199
Cash and cash equivalents at the end of the year	29	270 987 813	108 200 551

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 7	Financial Instruments: Disclosures
IAS 7	Cash Flow Statements
IAS 17	Leases
IAS 19	Employee benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 32	Financial Instruments: Presentation
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
SIC 32	Financial Instruments: Recognition and Measurement

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the Municipality's separate financial statements.

Exemption from complying with the following standards was obtained from the Minister of Finance until 2007/08 financial year in accordance with Gazette no. 30013 dated 29 June 2007.

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been adopted early
GRAP 03	Accounting policies, changes in accounting estimates and errors	<ul style="list-style-type: none"> ▪ Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31)
		<ul style="list-style-type: none"> ▪ Changes in accounting policies (GRAP 3.14, 19)
GAMAP 09	Revenue	<ul style="list-style-type: none"> ▪ Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA Circular 9/06)
GAMAP 12	Inventories	<ul style="list-style-type: none"> ▪ The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.
		<ul style="list-style-type: none"> ▪ The entire standard as far as it relates to water stock that was not purchased by the Municipality.
GAMAP 17	Property, plant and equipment	<ul style="list-style-type: none"> ▪ Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77)
		<ul style="list-style-type: none"> ▪ Review of depreciation method applied to PPE recognised in the annual financial statements (GAMAP 17.62, 77)
		<ul style="list-style-type: none"> ▪ Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))
		<ul style="list-style-type: none"> ▪ Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))
IAS 11 (AC 109)	Construction contracts	<ul style="list-style-type: none"> ▪ Entire standard
IAS 14 (AC 115)	Segment reporting	<ul style="list-style-type: none"> ▪ Entire standard
IAS 17 (AC 105)	Leases	<ul style="list-style-type: none"> ▪ Recognising operating lease payments/ receipts on a straight-line basis if the

		amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51, SAICA Circular 12/06.8 – 11)
IAS 19 (AC 116)	Employee benefits	<ul style="list-style-type: none"> Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))
IAS 20 (AC 134)	Accounting for government grants and disclosure	<ul style="list-style-type: none"> Entire standard, excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.
IAS 36 (AC 128)	Impairment of assets	<ul style="list-style-type: none"> Entire standard
IAS 38 (AC 129)	Intangible assets	<ul style="list-style-type: none"> The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed
IAS 39 (AC 133)	Financial instruments: recognition and measurement	<ul style="list-style-type: none"> Initially measuring financial assets and liabilities at fair value (IAS 39.43, AG79, AG64 – AG65 and SAICA Circular 9/06)
IAS 40 (AC 135)	Investment property	<ul style="list-style-type: none"> The entire standard to the extent that the property is accounted for in terms of GAMAP 17
		<ul style="list-style-type: none"> Disclosure of the fair value of investment property if the cost model is applied and where the Municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))
IFRS 3 (AC 140)	Business combinations	<ul style="list-style-type: none"> Entire standard
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	<ul style="list-style-type: none"> Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)
IFRS 7 (AC 144)	Financial instruments: disclosures	<ul style="list-style-type: none"> Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998
IFRS 8	Operating Segments	<ul style="list-style-type: none"> Entity Standard

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007, exempted compliance with certain of the abovementioned standards and aspects or parts of these standards. Details of the exemptions applicable to the Municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, is disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the

Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. The CRR can only be utilised to finance items of property, plant and equipment and investment property.

The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of

property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5.5 Self-Insurance Reserve

A Self-Insurance Fund exists to provide cover for selected risks, including fire, storm, workmen's compensation, public liability and motor vehicles. The fund is re-insured externally to cover major losses. Premiums are charged to the respective Directorates at market related rates, taking into account past experience of claims and replacement value of the insured assets.

The fund covers the first R10 000 000 in respect of fire insurance, R5 000 000 in respect of public liability insurance and R3 000 000 in respect of fidelity guarantee insurance, of any one claim.

The maximum aggregate exposure during any one year in respect of public liability insurance amounts to R10 000 000 and in respect of fidelity guarantee insurance amounts to R17 000 000. There is no maximum aggregate exposure in respect of fire insurance.

Claims in excess of the above maximum aggregate exposures are covered by re-insurance.

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Property, plant and equipment are stated at cost, less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated, as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Examples of directly attributable costs are: site preparation, delivery and handling costs, and professional fees.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R10 000.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. In determining depreciation, the residual values of assets (specifically vehicles, office equipment and furniture and fittings) are not taken into account, as the Municipality uses these assets in its operations beyond its estimated useful life. The annual depreciation rates are based on the following estimated asset lives:

	<u>Years</u>	<i>Other</i>	<u>Years</u>
<i>Infrastructure</i>			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<i>Community</i>		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30	Landfill Sites	45-50
Security	5		

6.2 Review of useful lives

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the useful lives of assets have not been reviewed. The current year's accounting policy agrees with that applied in the previous financial year.

6.3 Review of Depreciation Method

In accordance with the exemptions contained in Gazette no.30013 of 29 June 2007, the depreciation method was not reviewed.

The current year's accounting policy is in line with that applied in the previous financial year.

6.4 Impairment of cash and non-cash generating assets exemptions

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the assets in question were not assessed for possible impairment. This is in line with the account policy applied in the previous financial year.

7. INTANGIBLE ASSETS

An intangible asset is defined as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods and services, for rental to others or for administrative purposes. Intangible assets have been treated in accordance with the provisions of IAS38, "Intangible Assets". Intangible assets are initially recorded at their cost price and subsequently amortised over their expected useful lives. The intangible assets under the control of the Municipality are amortised according to the straight-line method.

The aforementioned policy is applied in line with the exemptions contained in Gazette No. 30013 of 29 June 2007.

8. REVALUATION OF LAND AND BUILDINGS

Land and buildings were not revalued during the year. It will be revalued as part of the general property valuation process being conducted over the next financial year. Council is required to undertake a general valuation of properties in terms of the Property Rates Act (Act no. 6 of 2004).

9. INVESTMENTS

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

9.1 Investments in Financial Instruments

The accounting policy applied is in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

10. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost or net realisable value. In general, the basis of determining cost is the first-in, first-out (FIFO) method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

The cost of water purchased and not yet sold in the statement of financial position comprises the purchase price, import duties and other taxes and transport, handling and other costs attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors that determine the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the aforementioned policy is in line with that applied in the previous financial year.

11. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within twelve months from the reporting date are classified as current.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the aforementioned policy is in line with that applied in the previous financial year.

12. TRADE CREDITORS

Trade creditors are stated at their nominal value, inclusive of outstanding cheques.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the aforementioned policy is in line with that applied in the previous financial year.

13. REVENUE RECOGNITION

13.1 Revenue from Exchange Transactions

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

In accordance with GAMAP 9, revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Service charges relating to electricity and water are based on consumption. Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly. All electricity and water meters within and outside the municipal boundary are read and billed monthly.

Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sales of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

13.2 Revenue from Non-Exchange Transactions

Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned.

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is recognised when collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

The current year's accounting policy is in line with that applied in the previous financial year.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, revenue has been initially recognised at cost.

14. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations is funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14.1 Unutilised Conditional Grants

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

The cash, which backs up the creditor, is invested until it is utilised. Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is in the City's interest, it is recognised as interest earned in the Statement of Financial Position. Whenever an asset is purchased out of an unutilised conditional grant, an amount equal to the cost price of the asset is transferred from Unutilised Capital Receipts to the Statement of Financial Performance as revenue. Thereafter, an equal amount is transferred on the Statement of Changes in Net Assets to the Donations and Public Contributions Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of Unutilised Capital Receipts. The reserve is used to offset depreciation charged on assets purchased out of Unutilised Capital Receipts.

The policy applied in the current financial year is in accordance with the exemptions contained in Gazette no.30013 of June 2007. The current year's policy is in line with that applied in the previous financial year.

15. PROVISIONS

Provisions are recognised when the Municipality has a present obligation (legal or constructive) as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made of the amount of the obligation. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

15.1 Provision for Post-Retirement Benefits

A provision is maintained in respect of the liability to employees relating to post-retirement benefits such as medical aid contributions. Council has adopted a strategy that future retirement liabilities be funded over a fifteen-year period.

The Municipality provides retirement benefits for its employees and Councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

Defined contribution plans are post-employment plans under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient funds to pay all employee benefits relating to employee service in the current and prior periods.

The current year's policy is in accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007. The current year's policy is in line with that applied in the previous year.

15.2 Provision for Rehabilitation of Refuse Landfill Sites

The applicable GAMAP standard states that a provision should be recognised where there is a present obligation to rehabilitate sites.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5.6% and discounted to the present value at the average borrowing cost of 10.23%.

15.3 Gratuity Provision

A provision in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund is maintained.

16. PROVISION FOR DOUBTFUL DEBTS

The provision is equivalent to 100% of amounts owing to Council older than 90 days. The provision currently amounts to R601 502 396. In accordance with GRAP the Provision for Doubtful Debts has been deducted from the amount outstanding by debtors at 30 June 2007.

17. PROVISION FOR OBSOLETE INVENTORY

A provision is maintained in lieu of obsolete inventory. The level of the provision for obsolete inventory is maintained at 5% of the total value of inventory holdings.

18. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking

institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

19. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22. COMPARATIVE INFORMATION

22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current and previous financial years.

22.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

23. INVESTMENT PROPERTY

The accounting policy applied is in accordance with the exemptions in Gazette No. 30013 of 29 June 2007. The current year's accounting policy is in line with that applied in the previous financial year.

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost and may be included in PPE in line with the exemption granted as per Gazette 30013 dated 29 June 2007.

24. LEASES

24.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital

repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

24.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the lease. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental Income from operating leases is recognised as they become due.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, operating lease payments/receipts have been recognised on the basis of the cashflows in the lease agreements.

The current year's policy is in line with that applied in the previous financial year.

25. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. Housing Development Fund

	2007 R	Restated 2006 R
Housing Infrastructure Development Fund	4,574,230	4,240,035
Housing Revolving Fund	70,612,023	73,891,203
Housing Reserves	1,344,097	4,906,768
Total Housing Development Fund	76,530,350	83,038,007

The Housing development fund is represented by investments.

Movements in funds are reconciled as follows:

Housing Infrastructure Development Fund

Balance at the beginning of the year	4,240,035	3,977,740
Contributions received	0	146,395
Interest received	334,195	115,900
Balance at the end of the year	4,574,230	4,240,035

The purpose of the Housing Infrastructure Development Fund is to provide funding for housing infrastructural developments. Contributions consist of cash received from the Provincial Housing Board.

Housing Revolving Fund

Balance at the beginning of the year	73,891,203	70,946,203
Correction of Error (see Note 36.3)		(8,221,650)
Restated Balance at beginning of year	73,891,203	62,724,553
Contributions received	1,649,369	5,076,066
Interest received	8,060,375	6,090,585
Cash utilised to finance property, plant and equipment	(12,988,924)	-
Balance at the end of the year	70,612,023	73,891,203

The purpose of the Housing Revolving Fund is to provide bridging financing for Provincial Housing Board approved housing developments. Contributions consist of cash received from the Provincial Housing Board.

HOUSING RESERVES

Community Facilities		0
Replacement and Renewals		0
Capital Discount Scheme	1,344,097	4,906,768
Balance at the end of the year	1,344,097	4,906,768

Community Facilities

Balance at the beginning of the year	0
Contribution for the year	23,969
Interest	452
Transfer to Asset Financing Fund	(24,422)
Balance at the end of the year	0

Replacement and Renewals

Balance at the beginning of the year	890,925
Correction of Error (see Note 36.3)	(890,925)
Restated Balance at beginning of year	0

Capital Discount Scheme

Balance at the beginning of the year	4,906,768	4,514,579
Interest	437,328	392,189
Expenditure funded during the year	(4,000,000)	-
Balance at the end of the year	1,344,097	4,906,768

The housing reserves are required in terms of National Housing Fund regulations. The housing reserves can only be utilised to maintain housing stock.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2. LONG-TERM LIABILITIES

	2007 R	Restated 2006 R
Local Registered Stock Loans	26,000,000	26,000,000
Development Bank of Southern Africa	206,597,482	226,382,719
Amalgamated Banks of South Africa	0	2,540,322
Amalgamated Banks of South Africa - Long-term Lease	0	30,000,000
Cape Joint Pension Fund	0	70,000
External Loans	232,597,482	284,993,041
Amalgamated Banks of South Africa - Leaseback Rental	0	154,633,786
Post-retirement Benefits	0	298,895,129
Post-retirement Benefits (Transferred to Non-current provisions)	0	(298,895,129)
	232,597,482	439,626,828
Less : Current portion transferred to current liabilities	18,763,885	26,370,082
Development Bank of Southern Africa	16,763,885	23,829,760
Registered Stock Loans	2,000,000	0
Amalgamated Banks of South Africa	0	2,540,322
	213,833,597	413,256,746

Refer to Appendix A for more detail on long-term liabilities.

LOCAL REGISTERED STOCK

Bear interest at rates between 16.40% and 17.55% per annum and are redeemable within one to four years

ABSA

These are structured finance loans repayable over ten years and were taken up during 1996/97. The ABSA loan is coupled to a sale and lease-back agreement of a gas turbine at Munelek. The Lease was repaid on 30 September 2006 during the 2006/07 financial year. (Refer Note 7.)

DBSA

Various loans were consolidated into one single loan amounting to R238 297 599 with effect from 30 September 2005, repayable over ten years in twenty half-yearly instalments, including accrued interest. There are two choices of variable interest rate linked to the six month JIBAR or to the three month JIBAR and a fixed interest rate linked to Government Bond R157. From 1 October 2005 to 30 September 2006, the interest was calculated linked to the six month JIBAR, but on 1 October 2006 the interest rate was fixed, linked to the Government Bond R157 at 9.38%. Council has the right to amend the interest rate between variable or fixed.

CAPE JOINT PENSION FUND

The loan was taken up during 1996/97 bearing interest at the rate of 11.5% per annum and was repaid on 31 December 2006

POST-RETIREMENT BENEFIT PROVISION

The 2005/06 balance in the amount of R298 895 129 was restated in respect of Post-retirement Benefits and is now included under Non-current Provisions for classification purposes.

3. NON-CURRENT PROVISIONS

Gratuity Provision	18,777,599	18,959,716
Post-retirement Benefits (Refer Note 2.)	746,024,521	298,895,129
Rehabilitation of Landfill sites	71,545,345	0
Total Non-Current Provisions	836,347,465	317,854,845

Gratuity Provision

This provision is in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund.

Balance at beginning of year	18,959,716	20,000,000
Contributions to provision	2,076,740	4,239,668
Expenditure incurred	(2,258,858)	(5,279,952)
Balance at end of year	18,777,599	18,959,716

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

3. NON-CURRENT PROVISIONS (continued)

	2007	Restated
	R	2006
		R

Post-retirement Benefits

The past service liability in respect of post-retirement benefits relates to ill health retirements and medical aid contributions and has been actuarially assessed at R746 million.

Balance at beginning of year	298,895,129	275,363,958
Contributions to provision	480,980,442	57,259,656
Expenditure incurred	(33,851,050)	(33,728,485)
Balance at end of year	746,024,521	298,895,129

Rehabilitation of landfill sites

In terms of the licencing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R20 595 651 for the Arlington Tip site, R6 870 263 for the Koedoeskloof Tip site and R44 079 431 for the Ibhayi Tip site determined at net present value to restore the sites at the end of their useful lives estimated to be in 2057, 2052 and 2007 respectively. Squatters are currently occupying the Ibhayi Landfill site that is already closed as a tip site. It is envisaged that the squatters will be removed by the end of 2010 in order to restore the site. Provision has been made for the rehabilitation of the landfill sites based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5.6% and discounted to the present value at the average borrowing cost of 10.23%.

Comparative landfill rehabilitation figures for the 2006 year are not disclosed as no reliable estimate could be made, based on the available information at the time the financial statements were compiled.

Balance at beginning of year	0	0
Contributions to provision	71,545,345	0
Expenditure incurred	0	0
Balance at end of year	71,545,345	0

4. CONSUMER DEPOSITS

Electricity and Water	85,277,865	79,745,847
Interest Paid	1,313,085	888,787
	86,590,950	80,634,634

Guarantees held in lieu of Electricity and Water Deposits	1,980,247	2,281,500
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5. CREDITORS

Trade creditors	748,552,027	468,898,402
Payments Received in Advance	21,109,790	0
Staff leave	90,597,613	70,059,084
Other creditors	2,850,445	5,613,663
Retentions	15,212,089	0
Total Creditors	878,321,965	544,571,149

It was not considered necessary to discount the staff leave pay accrual to its present value, as the potential obligation is of a short-term nature. In accordance with the collective agreement on conditions of service, municipal employees are required to take their annual leave over a period of twelve months.

The 2005/06 comparative was restated by an amount of R1 390 084 in respect of Other Creditors that were adjusted against General Expenses. (Refer Note 35.20.)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

6. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

6.1 Conditional Grants from other spheres of Government

Equitable Share (See Note 21.3)
Financial Management Grant (See Note 21.5)
Library Services - Carnegie Corporation Grant (See Note 21.6)
SMME - Development (See Note 21.7)
Project Consolidate (See Note 21.9)
Disaster Management Grant (See Note 21.10)
Municipal Systems Improvement Grant (See Note 21.11)
Municipal Infrastructure Grant (See Note 21.12)
Restructuring Grant (See Note 21.13)
Ploughing Fields (See Note 21.15)
Project Generation (DEAET) (See Note 21.17)
Amphitheatre (UDDI) (See Note 21.19)
National Treasury - Accreditation of Municipalities (See Note 21.20)
2010 FIFA World Cup (See Note 21.22)
Youth Projects (See Note 21.23)
Walmer Youth Development Project (See Note 21.24)
Youth Advisory Centre (See Note 21.25)
HIV and Aids Columbia University Project (See Note 21.26)
PTIF - 2010 FIFA World Cup (See Note 21.27)
Other Grants (See Note 21.28)

2007 R	Restated 2006 R
462,970,099	473,419,238
0	154,227,326
1,460,253	1,785,915
661,066	661,688
157,300	192,501
5,480,913	3,341,525
2,828,760	2,352,666
140,787	129,266
100,767,913	39,088,844
0	38,327,707
102,114	218,645
5,658,496	5,196,179
33,534	30,790
6,761,735	3,459,148
7,655,429	0
0	500,000
88,611	130,000
245,862	0
305,441	0
88,327,156	52,883,921
242,294,729	170,893,117
462,970,099	473,419,238

Total Unspent Conditional Grants and Receipts

During the year ended 30 June 2006, the balance in respect of Unspent Conditional Grants and Receipts was understated in the amount of R452 550 517. This balance was previously incorrectly included in the Government Grant Reserve in the amount of R451 888 829 and in the Capitalisation Reserve in the amount of R661 688 due to a classification error.

7. Property, Plant and Equipment (PPE)

As at 30 June 2007

	Cost	Accumulated Depreciation	Carrying Value
Land and Buildings	290,397,464	39,747,424	250,650,040
Infrastructure Assets	4,170,544,446	1,413,850,135	2,756,694,311
Community Assets	710,363,898	141,724,271	568,639,627
Heritage Assets	59,964,030		59,964,030
Other Assets	477,936,265	147,738,615	330,197,650
	5,709,206,103	1,743,060,445	3,966,145,658

As at 30 June 2006

	Cost	Accumulated Depreciation	Carrying Value
Land and Buildings	235,130,415	38,882,741	196,247,674
Infrastructure Assets	3,592,783,979	1,202,220,695	2,390,563,284
Community Assets	564,942,001	184,801,674	380,140,327
Heritage Assets	39,902,880	50,653	39,852,227
Other Assets	255,700,424	96,886,685	158,813,739
	4,688,459,699	1,522,842,449	3,165,617,250

A gas turbine at Munelek is coupled with a ABSA sale and leaseback agreement. The Lease was repaid on 30 September 2006 during the 2006/07 financial year. (Refer note 2)

8 Intangible Assets

As at 30 June 2007

	Cost	Accumulated Depreciation	Carrying Value
Computer Software	227,714,103	80,348,795	147,365,308

As at 30 June 2006

	Cost	Accumulated Depreciation	Carrying Value
Computer Software	140,341,344	52,751,768	87,589,576

Property, plant and equipment may include property held for resale.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

9. INVESTMENT PROPERTY

	2007	Restated 2006 R
Cost		90,305,290
Total Investment Property		90,305,290
Transferred to PPE		(90,305,290)
Restated Balance		0

Investment Property is included under Property, plant and equipment as per the exemption in accordance with Gazette No. 30013.

The Logistics Park land was not reflected as investment property as no land value was available. In line with the exemption, the Investment Property was transferred back to Property, Plant and Equipment.

10 INVESTMENTS

<u>Listed</u>	0	5,000
RSA Government Stock	0	5,000
<u>Financial instruments</u>	1,444,792,962	1,467,856,595
Fixed Deposits	1,443,968,038	1,281,926,972
ABSA Leaseback Agreement	0	184,633,791
Sanlam Shares	824,924	526,626
UAL Long-term Investment	0	769,206
Total	1,444,792,962	1,467,861,595
Average rate of return on investments	8.57%	6.95%

The Municipal Structures Act, Act 117 of 1998, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

No investments were written off during the year.

The Municipality is the holder of 40 919 shares in Sanlam Ltd at no value, of which the market value at 30 June 2007 was R824 924 (2006: R526 626). The shares were awarded to the Municipality as the beneficiary of an insurance endowment policy, which matured during October 1998.

The UAL investment had a Market Value of R2 785 987 as at 30 June 2006. The UAL Investment was redeemed during the 2006/07 financial year.

11 LONG-TERM RECEIVABLES

Sporting and Other Bodies	614,367	937,889
Car Loans	4,442,914	8,489,327
Consumer and Other Debtors	67,298,621	39,268,397
Rate and General	32,997,709	20,944,575
Electricity	5,330,828	2,667,834
Water	13,914,583	7,697,087
Refuse	5,467,701	3,001,795
Sewerage	9,585,910	4,906,641
Insurance	1,891	50,466
Subtotal	72,355,902	48,695,613
Less: Current Portion transferred to Current Assets	2,106,266	3,048,979
Sporting and Other Bodies	310,123	222,234
Car Loans	1,796,143	2,826,745
	70,249,636	45,646,634

CAR LOANS

Senior Staff were entitled to car loans prior to the introduction of the MFMA. These loans attract interest at 8% per annum and are repayable over a maximum period of six years with the final repayments being made in the year 2010.

CONSUMER AND OTHER DEBTORS

The current portion is disclosed in Note 13 - Consumer Debtors.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
12 INVENTORY		
Raw Materials	83,229,867	70,282,350
Finished Goods	182,683	150,132
Water Finished Goods - at cost	70,763,599	57,891,992
Consumable Goods	1,859,549	1,581,196
	10,423,836	10,659,030
Less: Provision for Obsolete Inventory	(4,248,372)	(4,248,372)
	78,981,295	66,033,978

The Inventory for Raw Materials - Water has been restated in the amount of R16 484 869 (2005/2006) in accordance with the exemption in Gazette No. 30013. The Municipality has capitalised all purchased water inventory and only purification costs in respect of non-purchased water inventory were capitalised.

13 CONSUMER DEBTORS

	R Gross Balances	R Provision for Doubtful Debts	R Net Balance
As at 30 June 2007			
Service Debtors	1,185,241,202	(596,166,883)	589,074,319
Rates and General	395,131,179	(240,578,777)	154,552,401
Electricity	298,367,941	(102,884,938)	195,483,002
Water	270,595,224	(137,833,182)	132,762,042
Refuse	84,772,900	(41,442,867)	43,330,032
Sewerage	136,373,959	(73,427,118)	62,946,841
House Rentals	8,295,956	(5,335,513)	2,960,443
Total	1,193,537,158	(601,502,396)	592,034,762

Doubtful Debts Provision

The doubtful debts provision is based on the ageing of debtors. Council's policy is to provide for all debtors' balances which have been outstanding for more than 90 days.

As at 30 June 2006

Service Debtors	1,201,455,038	(621,273,691)	580,181,347
Rates and General	500,360,393	(268,020,343)	232,340,050
Electricity	292,969,110	(112,376,245)	180,592,865
Water	261,041,682	(135,072,942)	125,968,740
Refuse	47,001,228	(29,608,082)	17,393,146
Sewerage	100,082,624	(76,196,078)	23,886,546
House Rentals	6,636,058	(4,689,228)	1,946,830
Total	1,208,091,096	(625,962,919)	582,128,177

Rates and General: Ageing

Current (0 - 30 days)	137,171,018	214,482,344
31 - 60 Days	8,280,921	12,371,766
61 - 90 Days	9,100,462	5,485,940
Over 90 Days	240,578,777	268,020,343
Total	395,131,179	500,360,393

Electricity: Ageing

Current (0 - 30 days)	181,715,031	170,891,822
31 - 60 Days	11,104,580	8,140,969
61 - 90 Days	2,663,391	1,560,075
Over 90 Days	102,884,938	112,376,245
Total	298,367,941	292,969,110

Water: Ageing

Current (0 - 30 days)	117,967,621	114,424,475
31 - 60 Days	10,392,431	6,985,262
61 - 90 Days	4,401,990	4,559,002
Over 90 Days	137,833,182	135,072,942
Total	270,595,224	261,041,681

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
<u>Refuse: Ageing</u>		
Current (0 - 30 days)	39,574,586	13,802,895
31 - 60 Days	2,556,157	2,227,107
61 - 90 Days	1,199,289	1,363,144
Over 90 Days	41,442,867	29,608,082
Total	84,772,900	47,001,228

<u>Sanitation: Ageing</u>		
Current (0 - 30 days)	54,621,252	15,956,259
31 - 60 Days	5,629,332	4,733,749
61 - 90 Days	2,696,257	3,196,539
Over 90 Days	73,427,118	76,196,078
Total	136,373,959	100,082,624

<u>Housing Rentals: Ageing</u>		
Current (0 - 30 days)	2,759,756	1,681,634
31 - 60 Days	163,087	212,964
61 - 90 Days	37,600	52,232
Over 90 Days	5,335,513	4,689,228
Total	8,295,956	6,636,058

	R	R	R
	<u>Residential</u>	<u>Industrial /</u>	<u>National and</u>
	<u>Consumers</u>	<u>Commercial</u>	<u>Provincial</u>
			<u>Government</u>
30 June 2007			
Current (0 - 30 days)	427,047,412	64,057,112	42,704,741
31 - 60 Days	30,501,206	4,575,181	3,050,121
61 - 90 Days	16,079,191	2,411,879	1,607,919
Over 90 Days	481,201,917	72,180,288	48,120,192
Gross Consumer Debtors by Customer classification	954,829,727	143,224,459	95,482,973
Gross Consumer Debtors			1,193,537,158
Less: Provision for Doubtful Debts			(601,502,396)
Net Consumer Debtors for the year ended 30 June 2007			592,034,762

	<u>Residential</u>	<u>Industrial /</u>	<u>National and</u>
	<u>Consumers</u>	<u>Commercial</u>	<u>Provincial</u>
			<u>Government</u>
30 June 2006			
Current (0 - 30 days)	433,748,319	58,494,666	38,996,444
31 - 60 Days	27,737,453	4,160,618	2,773,745
61 - 90 Days	12,973,546	1,946,032	1,297,355
Over 90 Days	500,770,335	75,115,550	50,077,034
Gross Consumer Debtors by Customer classification	975,229,653	139,716,866	93,144,577
Gross Consumer Debtors			1,208,091,095
Less: Provision for Doubtful Debts			(625,962,919)
Net Consumer Debtors for the year ended 30 June 2006			582,128,177

	2007 R	Restated 2006 R
Reconciliation of the doubtful debts provision		
Balance at beginning of year	625,962,919	510,349,046
Contributions to provision	40,978,710	96,157,335
Additional Appropriation	0	72,291,967
	666,941,629	678,798,348
Bad debts written off against provision	(65,439,232)	(52,835,429)
Balance at end of year	601,502,396	625,962,919

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	Restated 2006
	R	R
14 OTHER DEBTORS		
Government Grants and Subsidies	36,341,726	12,213,601
Interest on External Investments	41,866,798	19,535,596
External Debtors	24,315,998	44,691,020
	102,524,522	76,440,217
Regional Service Levy - Turnover (See Note 20)		3,258,519
Regional Service Levy - Remuneration (See Note 20)		8,183,333
Restatement - Insurance Claim (See Note 22)		251,639
Restatement - Logistics Park Rental and Levy (See Note 22)		1,329,884
Restated Balance		89,463,592

15 VAT

VAT owed	11,945,742	3,822,843
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VAT is payable on the receipts basis. Only once payment is received from debtors, is VAT paid over to SARS.

16 CALL INVESTMENT DEPOSITS

Other Deposits	55,555,956	55,174,189
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Call Deposits amounting to R18 763 885 (2006: R26 370 082) are ring-fenced and attributable to repaying long-term loans.

17 BANK BALANCES AND CASH

The Nelson Mandela Bay Metropolitan Municipality operates various current accounts with Standard Bank of South Africa, with no overdraft facility. The details are as follows:

BANK: Standard Bank of South Africa
ACCOUNT NUMBER: 08 002 125 5
BRANCH: Port Elizabeth
BRANCH CODE: 05 00 17

Cash Book balance at beginning of the year	53,026,362	59,096,804
Cash Book balance at end of the year	215,431,857	53,026,362
Bank Balance at beginning of the year	78,753,519	89,395,726
Bank Balance at end of the year	129,415,076	78,753,519

Which are disclosed in the Statement of Financial Position as follows:

Bank balances and cash	215,431,857	53,026,362
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18. PROPERTY RATES

<u>Actual</u>		
Residential	249,574,595	215,688,224
Commercial	241,629,609	243,633,099
State	41,986,161	39,545,221
	533,190,365	498,866,544

<u>Valuations</u>	R000's	R000's
Residential	4,341,630	4,120,355
Commercial	2,558,232	2,769,396
State	548,005	559,899
	7,447,867	7,449,650

19. SERVICE CHARGES

Sale of Electricity	1,119,758,699	1,037,156,962
Sale of Water	265,345,267	287,596,265
Refuse Removal	82,719,764	81,504,028
Sewerage and Sanitation charges	185,314,498	167,478,569
	1,653,138,228	1,573,735,823

Service charges in respect of Water in the amount of R20 139 285 has been restated in respect of the 2005/06 financial year.

Service charges in respect of Electricity in the amount of R23 644 595 has been restated in respect of the 2005/06 financial year.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

20 REGIONAL SERVICES LEVIES

	2007 R	Restated 2006 R
Regional Service Levies - turnover	0	68,692,001
Regional Service Levies - remuneration	0	211,586,760
Total Regional Service Levies	0	280,278,761

Regional Service Levies - turnover was restated in the amount of R3 258 519 and Regional Service Levies - remuneration in the amount of R8 183 333 due to income accrued during the 2006/07 financial year, being in respect of the 2005/06 financial year.

Regional Services Levies were discontinued at the end of the 2005/06 financial year and were replaced with a Levies Replacement Grant from National Treasury.

21 GOVERNMENT GRANTS AND SUBSIDIES

PHB Subsidies	66,357,404	113,333,518
Health Subsidies	59,068,835	63,398,802
Equitable Share Allocation	395,073,562	156,300,210
Transportation Subsidies	4,056,253	4,653,680
Finance Management Grant	543,338	521,148
Library Services - Carnegie Corporation Grant	36,670	108,639
SMME - Development	35,201	89,499
LGWSETA Funding	0	2,756,733
Project Consolidate	2,371,124	824,659
Disaster Management Grant	1,338,912	2,166,000
Municipal Systems Improvement Grant	0	2,069,859
Municipal Infrastructure Grant	14,916,667	689,875
Restructuring Grant	5,359,751	5,481,074
Capacity Building Grant	0	208,346
Ploughing fields	127,453	1,123,408
DBSA-Systems Renewal Project	0	1,694,737
Project Generation (DEAET)	0	893,936
Community Development Workers	0	510,060
Amphitheatre - Uitenhage - UDDI	0	1,041,011
National Treasury - Accreditation of Municipalities	697,413	0
RSC Levies Replacement	246,595,009	0
National and Provincial Government Capex Funding	428,037,609	156,132,005
2010 FIFA World Cup Stadium	317,085	0
Youth Projects	500,000	0
Walmer Youth Development Project	41,389	0
Youth Advisory Centre	504,138	0
HIV and Aids Columbia University Project	532,869	0
Other	25,347,039	7,592,300
	1,251,855,724	521,589,499

21.1 PHB Subsidies

This Grant is received from Provincial Government and is used for the construction of low-cost housing

Balance at beginning of year	0	0
Current year receipts	66,357,404	113,333,518
Conditions met - transferred to revenue	(66,357,404)	(113,333,518)
Conditions still to be met - transferred to liabilities	0	0

21.2 Health Subsidies

This grant is received from the Provincial Government and used in the Health function.

Balance at beginning of year	0	0
Current year receipts	59,068,835	63,398,802
Conditions met - transferred to revenue	(59,068,835)	(63,398,802)
Conditions still to be met - transferred to liabilities	0	0

21.3 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Balance unspent at beginning of year	154,227,326	122,107,570
Current year receipts	240,876,395	188,974,187
Funding of Capital Projects	(30,159)	(554,221)
Conditions met - transferred to revenue	(395,073,562)	(156,300,210)
Conditions still to be met - transferred to liabilities	0	154,227,326

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

21.4 Transportation Subsidies

This subsidy is used for subsidising the provision of roads in the municipal area.

	2007 R	Restated 2006 R
Balance unspent at beginning of year	0	0
Current year receipts	4,056,253	4,653,680
Conditions met - transferred to revenue	(4,056,253)	(4,653,680)
Conditions still to be met - transferred to liabilities	0	0

21.5 Finance Management Grant

This grant is used in the financial reform project under the guidance of National Treasury.

Balance unspent at beginning of year (See Note 36.2)	1,785,915	6,160,927
Current year receipts	1,217,677	3,500,000
Funding of Capital Projects	(1,000,000)	(7,353,864)
Conditions met - transferred to revenue	(543,338)	(521,148)
Conditions still to be met - transferred to liabilities	1,460,253	1,785,915

21.6 Library Services - Carnegie Corporation Grant

This grant is used for the provision of books and services in the Municipality's libraries.

Balance unspent at beginning of year	661,688	751,338
Current year receipts	58,975	142,567
Funding of Capital Projects	(22,927)	(123,577)
Conditions met - transferred to revenue	(36,670)	(108,639)
Conditions still to be met - transferred to liabilities	661,066	661,688

21.7 SMME - Development

This subsidy is used for the development of small businesses in the Municipality.

Balance unspent at beginning of year	192,501	0
Current year receipts	0	282,000
Conditions met - transferred to revenue	(35,201)	(89,499)
Conditions still to be met - transferred to liabilities	157,300	192,501

21.8 LGWSETA Funding

This grant is used to promote skills development within the Municipality.

Balance unspent at beginning of year	0	0
Current year receipts	0	2,756,733
Conditions met - transferred to revenue	-	(2,756,733)
Conditions still to be met - transferred to liabilities	0	0

21.9 Project Consolidate

This grant was received from the Department of Provincial and Local Government as an initiative to improve municipal systems relating to the collection of debt.

Balance unspent at beginning of year	3,341,525	0
Current year receipts	4,510,512	4,166,184
Conditions met - transferred to revenue	(2,371,124)	(824,659)
Conditions still to be met - transferred to liabilities	5,480,913	3,341,525

21.10 Disaster Management Grant

This grant is used to provide aid to those in need when disasters arise in the municipal area.

Balance unspent at beginning of year	2,352,666	3,244,150
Current year receipts	1,813,006	1,274,516
Conditions met - transferred to revenue	(1,336,912)	(2,166,000)
Conditions still to be met - transferred to liabilities	2,828,760	2,352,666

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

21.11 Municipal Systems Improvement Grant

This grant was received from the Department of Provincial and Local Government in an initiative to improve municipal systems relating to the collection of debt.

	2007 R	Restated 2006 R
Balance unspent at beginning of year	129,266	2,084,002
Current year receipts	11,521	115,122
Conditions met - transferred to revenue	0	(2,069,859)
Conditions still to be met - transferred to liabilities	<u>140,787</u>	<u>129,266</u>

21.12 Municipal Infrastructure Grant

This grant is used for the provision of infrastructure in the municipal area.

Balance unspent at beginning of year	39,088,844	39,992,446
Current year receipts	141,737,299	85,923,705
Funding of Capital Projects	(65,141,563)	(86,137,432)
Conditions met - transferred to revenue	(14,916,667)	(689,875)
Conditions still to be met - transferred to liabilities	<u>100,767,913</u>	<u>39,088,844</u>

21.13 Restructuring Grant

This grant is used for the restructuring of the Municipality.

Balance unspent at beginning of year	38,327,707	56,522,782
Current year receipts	29,902,533	37,684,677
Funding of Capital Projects	(84,115,358)	(50,398,678)
Conditions met - transferred to revenue	(5,359,751)	(5,481,074)
Transferred to Other debtors	21,244,869	0
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>38,327,707</u>

21.14 Capacity Building Grant

This grant was received from Provincial Government for capacity building in the various wards.

Balance unspent at beginning of year	0	200,000
Current year receipts	0	8,346
Conditions met - transferred to revenue	0	(208,346)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

21.15 Ploughing Fields

This grant is used to promote economic development.

Balance unspent at beginning of year	218,645	1,020,000
Current year receipts	10,922	322,054
Conditions met - transferred to revenue	(127,453)	(1,123,408)
Conditions still to be met - transferred to liabilities	<u>102,114</u>	<u>218,645</u>

21.16 DBSA-Systems Renewal Project

This grant is used for the upgrading of the Municipality's information systems.

Balance unspent at beginning of year	0	0
Current year receipts	0	1,694,737
Conditions met - transferred to revenue	0	(1,694,737)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

21.17 Project Generation (DEAET)

This grant is used to promote economic development.

Balance unspent at beginning of year	5,196,179	0
Current year receipts	462,317	6,090,116
Conditions met - transferred to revenue	0	(893,936)
Conditions still to be met - transferred to liabilities	<u>5,658,496</u>	<u>5,196,179</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

21.18 Community Development Workers

This grant is used to cover the costs associated with community development workers.

	2007 R	Restated 2006 R
Balance unspent at beginning of year	0	0
Current year receipts	0	510,060
Conditions met - transferred to revenue	0	(510,060)
Conditions still to be met - transferred to liabilities	0	0

21.19 Amphitheatre - Uitenhage - UDDI

This grant is used to promote Economic development in the Uitenhage and Despatch Development Initiative.

Balance unspent at beginning of year	30,790	1,000,000
Current year receipts	2,744	71,802
Conditions met - transferred to revenue	0	(1,041,011)
Conditions still to be met - transferred to liabilities	33,534	30,790

21.20 National Treasury - Accreditation of Municipalities

This grant is used for capacity building of employees in the Municipality's Housing Directorate.

Balance unspent at beginning of year	3,459,148	0
Current year receipts	4,000,000	3,459,148
Conditions met - transferred to revenue	(697,413)	0
Conditions still to be met - transferred to liabilities	6,761,735	3,459,148

21.21 RSC Levies Replacement Grant

This grant is used to compensate for loss of revenue due to the abolishment of RSC Levies.

Balance unspent at beginning of year	0	0
Current year receipts	246,595,009	0
Conditions met - transferred to revenue	(246,595,009)	0
Conditions still to be met - transferred to liabilities	0	0

21.22 2010 FIFA World Cup Stadium

This grant is used to fund the building of the 2010 Multi-purpose Stadium.

Balance unspent at beginning of year	0	0
Current year receipts	185,982,212	0
Funding of Capital Projects	(178,009,698)	0
Conditions met - transferred to revenue	(317,085)	0
Conditions still to be met - transferred to liabilities	7,655,429	0

21.23 Youth Projects

This grant is used for youth development.

Balance unspent at beginning of year	500,000	0
Current year receipts	0	500,000
Conditions met - transferred to revenue	(500,000)	0
Conditions still to be met - transferred to liabilities	0	500,000

21.24 Walmer Youth Development Project

This grant is used for youth development.

Balance unspent at beginning of year	130,000	0
Current year receipts	0	130,000
Conditions met - transferred to revenue	(41,389)	0
Conditions still to be met - transferred to liabilities	88,611	130,000

21.25 Youth Advisory Centre

This grant is used for youth development.

Balance unspent at beginning of year	0	0
Current year receipts	750,000	0
Conditions met - transferred to revenue	(504,138)	0
Conditions still to be met - transferred to liabilities	245,862	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

21.26 HIV and Aids Columbia University Project

This Grant is used for HIV and Aids projects.

	2007 R	Restated 2006 R
Balance unspent at beginning of year	0	0
Current year receipts	838,309	0
Conditions met - transferred to revenue	(532,869)	0
Conditions still to be met - transferred to liabilities	<u>305,441</u>	<u>0</u>

21.27 PTIF Soccer World Cup

This grant is received from National Treasury for upgrading of infrastructure to support the 2010 Multi-purpose Stadium.

Balance unspent at beginning of year	52,883,921	0
Current year receipts	68,600,000	53,650,000
Funding of Capital Expenditure	(33,156,765)	(766,079)
Conditions still to be met - transferred to liabilities	<u>88,327,156</u>	<u>52,883,921</u>

21.28 Other Grants

These are grants received by the Municipality for various purposes

Balance unspent at beginning of year	170,893,117	86,461,383
Current year receipts	163,309,791	102,822,189
National and Provincial Government Capex Funding	(66,561,140)	(10,798,154)
Conditions met - transferred to revenue	(25,347,039)	(7,592,300)
Conditions still to be met - transferred to liabilities	<u>242,294,729</u>	<u>170,893,117</u>

22 OTHER INCOME

Sale of Land	11,139,925	8,700,495
Fees and Charges	98,184,562	117,440,421
Grave Income	4,968,972	4,419,962
Interest	35,249,352	24,877,818
Rental Income	9,411,217	9,033,039
Other Income	59,582,003	31,138,464
	<u>218,536,032</u>	<u>195,609,999</u>
Transfer to Licences and Permits		(57,508,895)
Restatement - Insurance Claim (See Note 35.7)		251,639
Restatement - Logistics Park Rental and Levy (See Note 35.7)		1,329,884
Restated Balance		<u>139,682,627</u>

Licences and Permits are disclosed separately in line with National Treasury requirements.

The decrease in income in 2006/07 is in relation to vehicle registration and licence fees no longer being collected by the Municipality.

23 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	707,268,295	663,589,717
Employee related costs - Contributions for UIF, pensions and medical aids	211,509,725	166,698,093
Travel, motor car, accommodation, subsistence and other allowances	46,388,029	33,941,990
Housing benefits and allowances	9,518,789	8,683,227
Overtime payouts	53,360,563	45,140,367
Performance bonus	0	457,340
Long-service Awards	15,547,008	14,307,934
Less: Salaries Capitalised to PPE	(6,939,303)	0
	<u>1,036,653,107</u>	<u>932,818,668</u>

Remuneration of the Municipal Manager

Annual Remuneration	727,888	618,670
Performance Bonuses	0	0
Car allowance	86,912	96,000
Contributions to UIF, Medical and Pension Funds	0	1,142
Total	<u>814,800</u>	<u>715,812</u>

Remuneration of the Chief Financial Officer

Annual Remuneration	490,268	481,073
Performance Bonuses	0	53,994
Car allowance	144,000	144,000
Contributions to UIF, Medical and Pension Funds	49,521	95,046
Total	<u>683,789</u>	<u>774,113</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

23 EMPLOYEE RELATED COSTS (continued)

Remuneration of Individual Executive Directors

Corporate Administration

Annual Remuneration	699,630	598,799
Performance Bonus	0	67,541
Car Allowance	80,000	115,000
UIF, Medical and Pension Funds	933	1,252
	780,563	782,592

Economic Development, Tourism and Agriculture

Annual Remuneration	425,212	564,972
Performance Bonus	0	0
Car Allowance	114,494	148,764
UIF, Medical and Pension Funds	233	1,252
	539,939	714,988

Environmental Services

Annual Remuneration	523,171	492,902
Performance Bonus	0	53,994
Car Allowance	120,000	120,000
UIF, Medical and Pension Funds	63,741	91,150
	706,912	758,046

Health

Annual Remuneration	97,776	566,258
Performance Bonus	0	53,994
Car Allowance	0	88,000
UIF, Medical and Pension Funds	0	0
	97,776	708,252

Housing and Land

Annual Remuneration	680,281	557,552
Performance Bonus	0	53,994
Car Allowance	37,500	150,000
UIF, Medical and Pension Funds	466	1,252
	718,247	762,798

Human Resources

Annual Remuneration	478,230	607,268
Performance Bonus	0	0
Car Allowance	150,236	100,000
UIF, Medical and Pension Funds	9,554	1,075
	638,020	708,343

Electricity and Energy

Annual Remuneration	593,896	553,394
Performance Bonus	0	53,994
Car Allowance	154,080	154,080
UIF, Medical and Pension Funds	25,357	23,400
	773,333	784,868

Infrastructure and Engineering

Annual Remuneration	656,988	617,736
Performance Bonus	0	65,835
Car Allowance	96,000	96,000
UIF, Medical and Pension Funds	0	0
	752,988	779,571

Recreation and Culture

Annual Remuneration	0	564,972
Performance Bonus	0	53,994
Car Allowance	0	148,764
UIF, Medical and Pension Funds	0	0
	0	767,730

Safety and Security

Annual Remuneration		645,458
Performance Bonus		0
Car Allowance		30,000
UIF, Medical and Pension Funds		530
	0	675,988

Executive Director positions where no remuneration has been reflected were vacant for the period under review.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

24 REMUNERATION OF COUNCILLORS

	2007	Restated
	R	2006
	R	R
Mayor's remuneration/allowance	730,593	360,541
Deputy Mayor's remuneration/allowance	573,524	309,892
Speaker	573,524	309,892
Councillors' remuneration/allowances	32,375,671	19,270,996
Pension fund contributions	0	1,956,277
Telephone allowances	1,082,628	954,066
Transport allowances	0	4,496,351
Housing allowances	0	510,194
Councillor's medical aid	0	493,194
Office bearers' allowances	0	565,030
Personal facilities allowances	0	98,298
	35,335,941	29,324,731

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties driven by a chauffeur employed by the Council.

In accordance with the Councillor's remuneration package, the structure has changed to an all-inclusive package, with the exception of a telephone allowance.

25 INTEREST PAID

Interest on External Loans	24,103,040	26,932,678
Lease Charges	80,298	319,440
	24,183,338	27,252,118

26 BULK PURCHASES

Electricity	635,394,969	577,088,128
Water	30,927,895	24,088,799
	666,322,864	601,176,927

27 GRANTS AND SUBSIDIES PAID

Grants in aids	4,988,648	7,799,869
Grants to Entities	21,145,770	17,739,864
Grants to Other Organisations	16,836,177	15,568,580
	42,970,595	41,108,313

The 2005/06 comparatives were restated in the amounts of R17 739 864 and R15 568 580 in respect of Grants to Entities and Grants to Other Organisations respectively. These amounts were transferred from General Expenses.

28 CASH GENERATED FROM OPERATIONS

Net surplus for the year	487,168,764	73,263,263
Change in accounting policy/errors	0	361,424,306
Restated surplus for the year	487,168,764	434,687,569
Depreciation	266,587,719	192,016,619
Investment income	(218,979,879)	(203,095,449)
Interest paid	24,183,338	27,252,118
Operating surplus before working capital changes:	558,959,942	450,860,857
(Increase)/Decrease in inventories	(12,947,317)	9,243,037
(Increase) in consumer debtors	(9,906,585)	(128,905,940)
Decrease in current portion of long-term receivables	942,713	966,344
Increase in creditors	333,750,816	45,458,586
Increase in unspent conditional grants	(10,449,139)	93,690,679
Increase in current portion of long-term liabilities	(7,606,197)	8,612,817
Increase in other debtors	(13,060,930)	(42,002,401)
Increase in VAT	(8,122,900)	(6,318,255)
Increase in consumer deposits	5,956,316	11,410,215
Cash generated by operations	837,516,719	443,015,939

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

29 CASH AND CASH EQUIVALENTS

Bank balances and cash
 Call investment deposits
Total cash and cash equivalents

2007	Restated
R	2006
R	R
215,431,857	53,026,362
55,555,956	55,174,189
270,987,813	108,200,551

30 (DECREASE) IN LONG-TERM LOANS (EXTERNAL)

Loans raised
 Loans repaid

0	0
(199,423,149)	(36,735,750)
(199,423,149)	(36,735,750)

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE

31 MANAGEMENT ACT

31.1 Contributions to organised local government

Opening balance
 Council subscriptions
 Amount paid - current year
Balance unpaid (included in creditors)

0	0
6,422,160	1,121,746
(6,422,160)	(1,121,746)
0	0

The 2005/06 comparative was restated in the amount of R220 699 to bring it in line with the actual contribution made.

31.2 Audit Fees

Opening balance
 Current year audit fee
 Amount paid - current year
 Amount paid - previous year
Balance unpaid (included in creditors)

0	0
3,991,696	3,184,417
(3,991,696)	(3,184,417)
-	0
0	0

31.3 VAT

VAT inputs and VAT output are shown in Note 15. All VAT returns have been submitted by the due date throughout the year.

31.4 PAYE and UIF

Opening balance
 Current year payroll deductions
 Amount paid - current year
 Amount paid - previous year
Balance unpaid (included in creditors)

9,010,397	9,971,739
134,407,782	119,408,595
(123,561,830)	(110,398,198)
(9,010,397)	(9,971,739)
10,845,952	9,010,397

31.5 Pension and Medical Aid Deductions

Opening balance
 Current year payroll deductions and Council contributions
 Amount paid - current year
Balance unpaid (included in creditors)

0	0
235,420,039	228,744,625
(235,420,039)	(228,744,625)
0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE

31 MANAGEMENT ACT (continued)

31.6 Councillor's arrear consumer accounts

	R	R	R
		<u>Outstanding less</u>	<u>Outstanding more</u>
	<u>Total</u>	<u>than 90 days</u>	<u>than 90 days</u>
Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2007			
Councillor AVG Mfunda	3,081	444	2,637
Councillor M Nzotoyi	3,662	2,542	1,120
Councillor NM Makapela	3,906	305	3,601
	<u>10,649</u>	<u>3,291</u>	<u>7,358</u>

		<u>Outstanding less</u>	<u>Outstanding more</u>
	<u>Total</u>	<u>than 90 days</u>	<u>than 90 days</u>

30 June 2006

Councillor F Desi	922	0	922
Councillor B S Greef	11,808	10,318	1,490
Councillor M S Hote	644	0	644
Councillor A C G Mfunda	3,619	278	3,341
Councillor M M Nkewu	776	332	444
Councillor S Ntonela	367	175	192
Councillor C G Pietersen	3,533	0	3,533
Councillor Z J Qupe	3,600	377	3,223
	<u>25,269</u>	<u>11,480</u>	<u>13,789</u>

31.7 List of entities and related transactions

2007
R

Restated
2006
R

Solely-controlled entities

All entities are solely controlled by the Municipality and have received the following grants.:

1. Nelson Mandela Bay Development Agency (See Note 35.6)	20,043,520	16,690,104
2. Centenary Hall Promotions	55,460	52,820
3. Feathermarket Hall Promotions	1,046,790	996,940
4. Nelson Mandela Metropolitan Art Museum	0	2,603,090
Total	<u>21,145,770</u>	<u>20,342,954</u>
Nelson Mandela Metropolitan Art Museum (treated as other organisations)		(2,603,090)
Restated Grants to Solely-controlled Entities	<u>21,145,770</u>	<u>17,739,864</u>

Other organisations

The Organisations have received the following grants:

1. Uitenhage Despatch Development Initiative (See Note 35.6)	2,553,200	2,400,000
2. Nelson Mandela Bay Tourism (See Note 35.6)	11,093,707	10,565,490
	<u>13,646,907</u>	<u>12,965,490</u>
Nelson Mandela Metropolitan Art Museum	3,189,270	2,603,090
Restated Grants to Other Organisations	<u>16,836,177</u>	<u>15,568,580</u>

31.8 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal procurement process. The deviations for the 2006/07 financial year are detailed as follows:

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
1	Emergency purchases during floods – 2/8/2006	R267 625,91	SA Foam & Mattress Servistar C & K Hardware African Textiles KFC	23 August 2006	In terms of Section 36(1)(i) of the SCMP. Due to a severe rain storm on 2 August 2006, many residents were forced to evacuate their homes and seek alternative shelter. This resulted in the following emergency purchases having to be made to respond effectively to the disaster situation: Blankets Foam mattresses Plasting sheeting Relief food
2	Acquisition of additional computer aided draughting licenses	R123 595,38	Micrographics	21 September 2006	(Section 36(1)(a)(v)). The GIS/Drawing Office acquired five AutoCAD 2007 software licences in the 2005/2006 budget year. Authority was sought by the Housing and Land Business Unit for the purchasing of three additional AutoCAD 2007 software licenses. It is deemed impractical to go out on tender, as other computer programmes are not compatible with the existing programme.
3	Flood Damage : Appointment of consultants to undertake emergency repairs	Professional fees be paid in terms of the provisions of the Engineering Council of SA Scale of Fees contained in Board Notice 30 of 2006	Engineering Advice and Services CC Iliso Consulting (Pty) Ltd Stemele Bosch Africa (Pty) Ltd	21 September 2006	(In terms of Section 36(1)(a)(i)). Engineering Advice and Services CC – Design and Tender Stage, preparation of working drawings and construction stage of the construction of the intersection of Kragga Kamma Road and Circular Drive. Iliso Consulting (Pty) Ltd – Design and Tender Stage, preparation of working drawings and construction stage of the construction of the bridge and ancillary works at Lower Valley Road

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 31.8 Supply Chain Management Policy (continued)					
NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
					and Chelmsford Avenue. Stemela Bosch Africa (Pty) Ltd – Design and Tender Stage, preparation of working drawings and construction stage of the construction of the bridge and ancillary works at William Moffett, 9 th Avenue, Walmer and Riverstone Road. On 2 and 3 August 2006, extensive damage was caused by flood waters to the abovementioned roads. These facilities are key links in the road network and it has been necessary to undertake emergency repairs in order to restore traffic flows to normality.
4	Flood damage repairs : Van der Kemps Kloof Dam	R45 063,22 and R16 911,31	Gusha Civils L & P Quarries JV with SRK Consulting	27 September 2006	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Authority was sought for the deviation from the calling for tenders in respect of urgent and necessary work to be undertaken on dam structures at Van der Kemps Kloof caused by flood damage. Gusha Civils L & P Quarries JV with SRK as Consulting Engineers was appointed to re-instate the dams at Van Der Kemps Kloof in 2005. Restructuring of the damaged area must be undertaken in a manner that links and ties into the civil work undertaken by Gusha Civils L & P Quarries JV. Civil works should be overseen and supervised by SRK who undertook similar work during the dam's re-instatement.
5	Purchase of suction pump for use in	R77 505.00, excl. of VAT	Northfield Engineering	26 September 2006	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
	flooded Boundary Lane area				On 2 and 3 August 2006, extensive damage was caused by flood waters resulting in the flooding of Boundary Lane, which necessitated the urgent purchase of a specific high-head positive suction pump.
6	Braai/Dinner ANC Retreat : 22/8/2006	R12 530	Bobby's Food Empodium	5 September 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The Office of the Executive Mayor was requested at very short notice to provide dinner at the ANC Caucus Retreat held on 22 August 2006 due to the meeting extending longer than expected.
7	Installation of station control and public address racks	R186 650,00	Sysman Vunumphelo	17 August 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Authority was granted for the appointment of the current maintenance contractor and licensee to the original tender contract, to do additional work required for the installation of station control and public address racks at various fire stations in the Municipality.
8	Payment of Asante Management Consultants to undertake skills development analysis in respect of the Tourism Masterplan	R147 062,50	Asante Management Consultants	23 August 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Asante Management Consultants in association with Harley Sharpe Southern Africa was appointed to develop the Tourism Master Plan in line with the SCMP. The situational analysis identified the skills gap within the tourism industry, which was not part of the original scope of work. The lack of information in the secondary sources, posed a challenge to the

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
9	Upgrading of Synapsis Software	R107 500.00, excl. of VAT	Synapsis Software	15 August 2006	consultants, as a comprehensive audit had to be undertaken. Asante had to conduct their own primary research and firm surveys. The appointment of other service providers was deemed to be impractical as they would lack insight in the Tourism Master Plan. In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. With Synapsis Software being the custodians and sole supplier of the current system, it is impractical to follow the official procurement process for the upgrade of the existing service request application to supply, install and provide end user training.
10	Approval to increase tender amount in respect of Armoury Project, Contract HL/000005, Sidwell, Port Elizabeth	R180 000	Zama Projects	20 June 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The original tender in the amount of R1 811 885,16 was awarded to Zama Projects to construct the armoury at the Sidwell Traffic Department, Port Elizabeth. Some site works must be done to prepare for the installation of the security fence and to finish off some grassed areas adjacent to the armoury, which were not included in the contract. This will result in additional work to the value of R180 000.
11	Purchase of Novell licences	R2 318 114,00	State Information Technology Agency (SITA)	11 July 2006	Because of an increased demand, the purchase of additional Novell licences has become necessary. Approval was sought for the

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
					dispensing of the normal tendering procedures in terms of Section 36 (1)(a)(v) of the Supply Chain Management Policy. The reasons for requesting a deviation from the normal tendering process are as follows:
					(a) The current system being used by the NMBMM is the Novell Network.
					(b) The Novell Network is the only system compatible with the Municipality's current system.
					(c) Novell Network is the only supplier of the system required by the NMBMM.
12	Payment of NMMU (Algoa Campus Classroom hired as a venue for EPWP learners) 1 March 2006 to 31 July 2006	R11 237,70	Nelson Mandela Metropolitan University	7 June 2006	In terms of Section 36 (1)(a)(v) of the Supply Chain Management Policy. The official concerned was unaware of the fact that approval to deviate from normal procurement procedures should have been obtained prior to the rental of the classrooms.
13	Drought relief strategy: Augmentation of Nooitgedagt Water Treatment Works: Appointment of consulting engineer	According to advertised fees applicable to consulting engineers	BKS (Pty) Ltd	12 June 2006	In terms of Section 36 (1)(a)(i) and (v) of the Supply Chain Management Policy. The original consultants for the construction of the Nooitgedagt Water Treatment Works was BKS (Pty) Ltd. Due to the drought situation, there will be saving in time and cost, as certain of the design work would be a duplication of the previous design.
14	Repairs to Swartkops Mount Road 66 kV underground cable	R118 072,26, excl. VAT	CBI Electric African Cables	21 November 2006	In terms of Section 36(1) (a) (i) and (ii) of the Supply Chain Management Policy. CBI Electric African Cables is the sole supplier

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
15	Lease of Ward Councillor offices from the private sector	R8 800	Ward 5 – Central Office (R2 000 pm) Ward 9 – R2 000 pm Ward 12 – Malabar Old Age Home (R800 pm) Ward 34 - West End – R1 700 pm Ward 40 – St Albans School (R800 pm) Ward 52 – NG Church Office, Uitenhage (R1 500 pm)	11 August 2006	in the RSA. In terms of Section 36 (1) (a) (v) of the Supply Chain Management Policy. The procurement process was followed on two occasions, and only one response received. Because the process had been exhausted, there were still Ward Councillors who did not have offices and it was essential to place them.
16	Emergency repairs to powerlines – August 2006 floods	R24 470,85	Rangers Clutch and Break	19 October 2006	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. During the floods in August, widespread power failures were experienced. Due to the difficulty of access to various areas, a 4 x 4 crane truck with a driver and a 4 x 4 LDV were hired. This was an emergency, as no other suitable vehicles could be sourced from the annual contracts.
17	Authority to extend services of KPMG Services : Physical verification of movable assets	R175 320 per month for two months, excluding VAT, and reimbursable disbursements, like travelling	KPMG Services	7 August 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. In order for the Municipality to make a significant impact in the Auditor General's report for 2005/06, the physical verification of movable assets amongst others must be performed. According to the Asset Management Process Plan Schedule, the target date to complete the physical verification of movable assets as per

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 31.8 Supply Chain Management Policy (continued)					
NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
					the Asset Management Process Plan of Action tabled at the Audit Steering Committee was 31 August 2006. The contract for the physical verification exercise was awarded to KPMG Services, starting on 1 June 2006 to 30 June 2006. Due to budget constraints, the funds that were made available at the time could not cover the estimated three month period to complete the physical verification exercise.
18	Contract HL0027 : Red Location Precinct : Phase 2	R2 999 241,00	Noero Wolff Architects	1 August 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy in order to allow for natural continuation of work carried out by the contractor on a previous occasion.
19	Procurement of Specialist Services : 2010 FIFA World Cup	R1 220 000	Grant Thornton Stewart Scott and Khuthele NOH and Metroplan	11 July 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Is a natural continuation of work carried out by the contractor on a previous occasion and has cost saving implications to Council.
20	Purchase of milk formula from sole supplier : Nestlé SA (Pty) Ltd	R317 157,12	Nestlé (SA) Pty Ltd	22 May 2006	In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy. Approximately 1 700 malnourished children and babies born from HIV positive mothers are receiving Nan Pelargon as a nutritional supplement. The EC Department of Health was unable to supply the milk formula due to technical difficulties. ECDOC submitted a formal request to the Health Directorate for the acquisition of the milk to ensure that targeted beneficiaries are provided with the needed milk. Currently, the INP is using Pelargon Acidified Infant Formula as the preferred breast milk

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
21	Tuberculosis Blitz Campaign	R300 000 (To be reimbursed by the EC Dept. of Health)	Various service providers – Caterers, buses, marquee tents, portable toilets. The event was cancelled due to floods, but the catering had to be prepared in advance. A cancellation fee was negotiated with other service providers.	11 August 2006	substitute. Nestlé South Africa (Pty) Limited is the sole manufacturer of this product. In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. In view of the short notice period and the level of logistical support required to ensure a successful event, approval was granted to dispense with the calling for tenders.
22	HIV and Aids Prevention Programme – Purchase of Equipment	R52 782,00	Chapmar Industries CC	28 December 2006	In terms of Section 36(i)(a)(v) of the Supply Chain Management Policy. Due to the short period available to spend the allocated funds (31 December 2006), and the fact that the service provider is closing on 15 December 2006.
23	Drafting and promulgation of By-laws	R252 000	ISGAD	31 October 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Due to the volume of work, limited time period and budgetary constraints, it was decided to split the by-law drafting process into five main phases, which could be performed and addressed over a period of time. ISGAD was appointed for the First Phase of this project through the normal tendering process. It would have been a fruitless exercise to issue a tender for the presentation of the remaining four phases. It was also vital that ISGAD be

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 31.8 Supply Chain Management Policy (continued)					
NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
24	Reconstruction of Provincial Proclaimed Main Road No 450 – Addo Road – Appointment of consulting engineers	Tariff of Fees for persons registered in terms of the Engineering Profession Act, 2000	P D Naidoo and Associates (Pty) Ltd, Nathoo Mbenyane Engineers and Uhambiso Consult (Pty) Ltd	17 August 2006	<p>afforded the opportunity to continue with the remaining phases for continuity and standardisation purposes.</p> <p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>The construction of Addo Road was considered as a vital link to Motherwell and the need to improve traffic safety in the area. In this regard, an application for the allocation of an amount of R20 m was submitted to the European Union in terms of the MURP for the construction of Addo Road. At that time, the appointment of consultants to carry out the design, etc. was actively pursued in anticipation of the EU allocation being received. The allocation of these funds was not approved and the project did not proceed at that time.</p> <p>On 2 June 2005, the then Municipal Bid Committee resolved to appoint the firms P D Naidoo and Ass and Uhambiso Consult to carry out the design of Addo Road. On 19 June 2006, the Adjudication Committee recommended the appointment of P D Naidoo and Ass. and Nathoo Mbenyane Engineers Joint Venture. In terms of the above resolutions, a situation has now arisen that there are two different resolutions dealing with the appointment of consultants for the Addo Road project. Although at that stage, none of the consultants had been formally appointed, an expectation of work had been created. The</p>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 31.8 Supply Chain Management Policy (continued)					
NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
25	Increase in tender amount for centralised control centre, South End, Contract HL/00023	R341 432,32	Zama Projects	15 January 2007	situation was explained to the consultants concerned and agreement was reached that the work would be allocated among the consultants in a way that would be satisfactory to all parties. In terms of Section 36(i)(a)(v) of the Supply Chain Management Policy. Additional work to be carried out by Zama Projects on Contract HL/00023 to accommodate future security and system expansion for the Centralised Control Centre, South End. The main contractor, Zama Projects, as well as the four specialist nominated sub-contractors, are still in the process of completing the building work under the existing contract. In terms of the JBCC Principal Building Agreement, the contractor has a lien or right of continuing possession of the works, which remains in force until completion of the works. It is therefore contrary to the existing contract to allow another contractor to work on the site before completion is achieved. The main contractor could be requested to give written permission for this clause to be waived. However, this creates serious problems in terms of responsibility for defective work and possible damage to the work completed under the previous contract. All additional work will be costed in accordance with the rates tendered by the main contractor and nominated sub-contractors in their Bills of Quantities that formed part of the original tender documentation. Should new tenders be called

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 31.8 Supply Chain Management Policy (continued)					
NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
26	Rationalisation of Entities Project : Extension of brief to include Culture and Heritage Entity	R184 800	BDO Spencer Steward	22 December 2006	for, the tenderers would price for site establishment costs, setting up site, storage sheds, offices, etc. These sites establishment costs are already costed by the existing contractor as Preliminaries and General costs in the Bills of Quantities, and are therefore not re-costed in the rates for the proposed additional work. In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The extension of the brief to include the Culture and Heritage Entity as well as the municipal facilities, would be expensive if thorough scrutiny and investigation were done for each entity/project.
27	Procurement of books from Jutta and Company	R2 311,00	Jutta and Company	28 November 2006	In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy. Jutta and Company are the publishers and distributors of the requested books. No other company distributes the books and it is therefore sole supplier.
28	Maintenance to Nelson Mandela Art Museum	R600/hr	Stauch Vorster Architects	22 November 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The appointment of Stauch Vorster Architects will be a natural continuation of work and will result in a significant cost-saving benefit to the Council, as their office hold extensive records and drawings of the Art Museum. Since the 1990s they have designed and supervised extensions to the main hall and the arts hall and have been in constant consultation regarding

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 31.8 Supply Chain Management Policy (continued)					
NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
29	Critical cable fault location by Verotest (Pty) Ltd	R22 981,26	Verotest (Pty) Ltd	3 October 2006	the problems with both roofs. Steuch Vorster reduced the normal hourly rate from the industry rate of R800 to R600 per hour because he already has all the structural records of the museum building. In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. A high-resistance cable fault recently settled in on the Northdowns – Willard No. 1 22 kV feeder. The Directorate's Fault Location Section, with its own resources, tried everything possible over a period of time to locate the fault, but was unsuccessful. Due to the emergency of repairing the cable in the shortest possible time, it was decided to utilise the assistance of an accredited contractor. A lengthy tender procedure in procuring the necessary assistance would not have been in the interest in solving the problem timeously.
30	Motherwell Creative Arts Centre : Professional facilitators and community facilitators	Not exceeding R5 000 per month per person	Various Specialised Art Mentors	3 October 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. In lieu of no policy in place in the NMBM regarding the scoping and implementation of community-based arts projects and in the context of the unit having to identify specialists at the negotiated rate of R5 000 per month to implement the creative industry projects.
31	Maintenance Software Renewal ADBS (Action Driven Balanced	Vote OK 187045 Budget :	QVCS Africa	27 October 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. QVCS Africa is the only company able to supply

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 31.8 Supply Chain Management Policy (continued)					
NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
	Scorecard) Performance Management System	R890 400 Expenditure to date: R80 000			the required further licences.
32	Contract 5398(S) : Replacement of Heat Treatment Sewer at Fishwater Flats Water Treatment Works : Increase in contract amount and amendment of project budget	R511 692.60, inclusive of VAT	Masakeni Construction (Pty) Ltd	31 October 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Due to a number of design modifications affecting the scope of work, the total contract cost has increased by approximately 29,3%. The increase in the contract cost resulted mainly from extra pipework that had to be installed in order to connect services that were not linked/provided for in the original design.
33	Motherwell Arts and Culture Centre	R115 500	School of Architecture of the Nelson Mandela Metropolitan University	22 November 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The first phase of the development, being the Motherwell Community Support Centre, was designed by the NMMU School of Architects and funded by SIDA that supports this type of skills development. The proposed development abuts the first phase that was funded by SIDA. The NMMU charges a lower fee than the standard one of SAICE. The urgency to commence, as the SIDA funding had to be spent before the end of December 2006.
34	Emergency repairs to substation	R24 000	Den Hangen Contractor CC	31 October 2006	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. A substation wall was completely destroyed as a result of an explosion of the substation equipment. The wall was temporarily fixed with corrugated iron sheets. Some of the sheets were stolen, exposing the equipment to further

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 31.8 Supply Chain Management Policy (continued)					
NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
35	Nooitgedagt Water Treatment Works : Repairs to final water pumps	R285 086,75, exclusive of VAT	Sulzer (South Africa) Ltd	23 October 2006	theft and vandalism. In addition, an extremely dangerous situation was created where the public could enter these substations and be exposed to live electrical equipment. In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Due to the nature of the work and the water situation in the Municipality it was regarded as an emergency and therefore it was not possible to follow the normal tendering procedure.
36	Appointment of contract management and administration company : Alterations to NU30 Community Hall, Motherwell	R187 672,24	Matrix Urban Designers and Architects	23 October 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Matrix Urban Designers and Architects was appointed to design the extension of the NU3 Hall to a 420 seater capacity community hall in accordance with the R850 000 available on the budget. However, applications for alternative funding were successful and funding was granted to extend the hall capacity to the tune of R3 million. As Matrix Urban Designers and Architects was already on site and was busy with the architectural designs for a smaller hall, their scope of work was subsequently increased to design a hall that could accommodate 950 to 1000 people – in line with the community needs.
37	Payment of catering : Presidential Imbizo 9 to 10 September 2006	R110 000	Simunye Caterers	3 October 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Because of the time factor, verbal quotations were sourced for the provision of lunch packs on the occasion of the Presidential Imbizo held on 9 to 10 September 2006, and not written

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
38	Approval for payment to Zip Zap Circus (Cape Town) as sole trainers for Motherwell Creative Arts Centre Project	R7 717,80	Zip Zap Circus School	13 November 2006	quotations, as required by Section 12(1)(c) of the Supply Chain Management Policy. In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy. On the grounds that extensive investigation has revealed the reasonable availability of only one Circus School, i.e. Zip Zap.
39	Voltage transformer for LMT switchgear	Two units at R38 660 Nine units at R198 000	ABB SA (Pty) Ltd	30 November 2006	In terms of Section 36(1)(a)(i) and (ii) of the Supply Chain Management Policy. The ABB voltage transformers are an integral component of the ABB switchgear used to provide a metered electricity supply to major consumers. Additional units of ABB voltage transformers were purchased from the sole supplier, i.e. ABB SA (Pty) Limited, to replenish depleted stock urgently required. Since normal delivery is quoted as twelve weeks and major consumers were currently unmetered without these voltage transformers, the procurement of these units was considered to constitute an emergency measure.
40	Payment to trucking contractors for the relocation of families	R105 800	Umtha cc – 24 families James Ngqandu – 38 “ M A Mongo – 39 “ Nepto Trading cc – 47 “ Thobile E Tom – 42 “ Patutu Ntamo - 40 “ K E Holejane – 32 “ S A Mrwebo – 45 “ W M Vongo - 45 “	18 December 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
			M D Ndimba – 38 " L S Ndimba – 27 " M M Ndimba – 43 " Total 460 families		
41	Annual contract : maintenance of server which hosts the computer software of the libraries	R4 677,42 per month	HPSA	7 December 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. HPSA is the only service provider in the Eastern Cape to provide site management in respect of the annual contract for the maintenance of the Unix Operating System being utilised by the Libraries.
42	Railway safety regulator – Application for Rail Safety Permit – Appointment of specialist service provider	R38 500	Sheltam Grindrod (Pty) Ltd	15 December 2006	In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy. The firm Sheltam Grindrod (Pty) Ltd is the only suitably skilled local service provider to process a Railway Safety Permit application to the required standard.
43	Repairs to faulty air conditioners at Pleinhuis	R13 304, exclusive of VAT	Industrial Thermodynamics cc	25 January 2007	In terms of Section 36(1)(a)(i) and (v) of the Supply Chain Management Policy. Pleinhuis employees were working under unbearable and unhealthy conditions as a result of the non-functioning of the air conditioner and the fact that the network file server in that building malfunctioned due to overheating resulting in the loss of back-up from October to December 2006.
44	Renewal of Progress Software Licences	R214 794, exclusive of VAT	Sysnet Cape CC	9 February 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Progress Software (Pty) Ltd requires that the original distributor supplying the actual licences,

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
					handle the renewal of licences. Should the licences not be renewed, the hourly rate will cost R500,00 and to buy the latest Progress Software version will cost R2 742 050,00. The renewal of the licences is therefore in the best financial interest of the Municipality.
45	Repairs to computerised weighbridge : Arlington Waste Disposal Site	R19 684.20, exclusive of VAT	SA Scale Co	9 February 2007	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Urgent repairs to the weighbridge were required, as any delays would result in lengthy queues at the entrance to the sites, which in turn would have a negative effect on the productivity of the Municipality's refuse collection service. It would also result in unhappiness among the private sector using the sites extensively and could result in an increase in illegal dumping, which in turn could impact negatively on the health and safety of the Municipality's residents.
46	Payment to Simunye Caterers for the National Youth Service Volunteer Campaign Launch Programme	R24 000, inclusive of VAT	Simunye Caterers	9 February 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The Youth Service Volunteer Campaign Launch Programme was held on 19 December 2006. Altogether 800 volunteers attended the launch and lunch was required for the occasion. Caterers were contacted to source the required three quotes, but many companies were closed for business during the holiday period. Simunye Caterers was the only company able to provide the service at short notice.
47	Replacement of IT	R60 602,50	Dimension Data	9 February 2007	In terms of Section 36(1)(a)(v) of the Supply

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
	Server Security Device Equipment for the Pre-Payment Vending and Meter Reading Systems				<p>Chain Management Policy.</p> <p>*The equipment required is a small element of an existing larger network configuration and the introduction of another service provider will make it impossible to determine responsibility and attribute accountability in the case of a communication problem or security leak, which would seriously affect the operation of the system.</p> <p>*It is critical that the supplier of the Security Devices (Fire Walls) fully understands ALL elements of the configuration and networking of our current systems in order to ensure uninterrupted effective operation of the Prepayment Vending and Meter Reading Systems. Therefore, the risk is too high to allow another supplier to become involved in a critical but small element of the current security and network layouts.</p> <p>*All the configurations, setup of IP addresses, routers, switches and security devices in respect of the system were originally procured from, installed, and commissioned, and are currently being managed and maintained by Dimension Data.</p>
48	Modifications and additions to the IVR Electronic Help Desk for the Electricity and Energy Business Unit	R106 000, exclusive of VAT	Siemens	9 February 2007	<p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>In terms of the IVR contract between the NMBM and Siemens Business Services (Contract 1737 Annexure B), Siemens Business Services is the only company that can do these modifications</p>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
49	Upgrade of GIMS Valuations Tool Programme	GIMS Valuation Tool Program and training : R48 564,00, incl. VAT and annual maintenance : R23 085,00, incl. VAT	GIMS (Pty) Ltd	1 March 2007	and additions for the Directorate. In terms of Section 36(1)(a)(ii) of the Municipal Supply Chain Management Policy. GIMS (Pty) Ltd is the only accredited distributor in SA who is allowed to conduct and deliver official ESRI training courses related to the ESRI product range.
50	Extension of lease : Portion of 7 th floor : Fidelity House	R20 415,12 per month for the full 482 m ²	Apexhi Properties Limited – Agent Broil	1 March 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The Budget and Treasury Directorate leases the entire seventh floor, Fidelity House measuring 482 square meters. The lease of offices measuring 112 square meters expires on 31 August 2009, while the lease of the larger portion, measuring 370 square meters, expires on 31 March 2007. Both leases mentioned include the option to renew. It was therefore considered impractical to call for tenders, and the lease of 370 square meters of the seventh floor, Fidelity House, which expires on 31 March 2007, was amended by extending the expiry date to 31 August 2009 to coincide with the expiry date of the 112 square meters also being leased.
51	Three-year software support contract for ecWIN Automated	R72 000 for the first year, R79 200 for the	IST Holdings (Pty) Ltd	1 March 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The Electricity and Energy Directorate procured

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
	Meter Reading System and Web Server	second year, R87 120 for the third			the ecWIN AMR system and Web Server from IST Holdings (Pty) Ltd in 2003 (PEE3213). The system is used for the collection of commercial and industrial metering and billing data and hosts a web server for large electricity power users. The system currently hosts approximately 300 remotely read large business meters (150 customers) and an additional approximately 850 smaller business meters. Electricity metering data for billing to the value of approximately R65m per month is collected via this system. A technical support agreement with IST Holdings (Pty) Ltd, the suppliers of the software, has been renewed annually since 2004. The current extended system support contract will terminate at the end of February 2007. It is essential that a system support contract be in place at all times, as the directorate does not have the expertise to maintain the system. As IST Holdings (Pty)Ltd is the author, licensor and sole supplier of the EcWIN software, it would be a fruitless exercise to follow the normal procurement procedure.
52	Installation of two 66 kV straight through joints : Uitenhage	R45 692.25, excl. VAT	CBI Electric Power Installations	1 March 2007	In terms of Section 36(1)(a)(i) and (ii) of the Municipal Supply Chain Management Policy. CBI Electric Power Installations is the sole provider of this type of service in the country. Due to the nature of the fault, it was imperative to carry out emergency repairs to the damaged cable in order to reinstate supply to the KwaNobuhle area as soon as possible.

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31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
53	Upgrade of existing ecWIN Software and addition of month-end reports	R149 111.00, excl. VAT	IST Holdings (Pty) Ltd	1 March 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The Electricity and Energy Business Unit procured the ecWIN AMR system and Web Server from IST Holdings (Pty) Ltd in 2003 (PEE3213). The system is used for the collection of commercial and industrial metering and billing data and hosts a web server for large electricity power users. The system currently hosts approximately remotely read large business meters (150 customers) and an additional approximately 850 smaller business meters. Electricity metering date for billing to the value of approximately R65 m per month is collected via this system. The current software license is limited to 1 000 customer accounts. With the recent addition of Uitenhage, Despatch and the Coega IDZ plus the normal business customer growth in the Municipality, the system has exceeded the 1 000 limit and needs to be upgraded. Additional month-end reporting modules and software development are required to include the upload of metering data from other meter types. As IST Holdings (PTY) Ltd is the author, licensor and sole supplier of the ecWIN software, as stated on the attached document, it would be a fruitless exercise to follow the normal procurement procedure.
54	Increase in contract sum : Contract 2086 : Alterations,	R90 000	Unempundry Logistics	1 March 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The additional work was undertaken as a matter

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31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
	renovations and additions to Customer Care Centre at Daleview				of urgency due to the need to secure municipal property/assets, such as computer equipment, faxes and copy machines, at the centre and the service provider was already on site.
55	Hosting of Growth and Development Summit Stakeholder Engagement Workshop : 8 and 9 March 2007, Coega Village	R109 440	Coega Conference Centre	1 March 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The Coega Conference Centre was the only venue available on 8 and 9 March 2007 that could accommodate the number of people expected to attend the event.
56	Increase in contract sum: Contract 2085: Alterations, renovations and additions to Customer Care Centre at Mthomolwazi	R90 000	T A Builders	1 March 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The additional work was undertaken as a matter of urgency due to the need to secure municipal property/assets, such as computer equipment, faxes and copy machines, at the centre and the service provider was already on site.
57	Moral Regeneration Movement Awareness Programme – 16 December 2006	R16 895 (excl. VAT) for golf T-shirts R2 915 (excl. VAT) for baseball caps R5 990 (excl. VAT) for PVC banner R3 510 (incl. VAT) for brochures R3 900 (excl.	Reflec (Pty) Ltd Rizzla Graphics and Advertising Nxa-Nthatu Silkscreen and Printing Stage and Audio Works	13 February 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. Due to time constraints, as well as the difficulty to engage service providers during the annual shutdown over the festive season, deviation from the procurement procedure was necessary.

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NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
		VAT) for audio visual equipment R2 600 for transport of 30 volunteers R3 350 for catering			
58	Emergency repairs at the KwaNobuhle Wastewater Treatment Works	R110 600	URSA Concrete	26 March 2007	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Unforeseen costs were incurred when URSA Concrete was requested to assist in carrying out emergency repairs at the Wastewater Treatment Works in KwaNobuhle. URSA was currently busy with another contract only 10 km away.
59	Training requirements : Safety and Security Directorate	R632 000	ISGAD	3 November 2006	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. During February 2006 the Safety and Security Directorate (Security Division), through the tender process, called for the provision of investigating training (detective development), as a specialised learning field for the Investigation Unit of the Security Division. The only responsive tender received was that of the Nelson Mandela Metropolitan University, Institute for Sustainable Governance and Development (ISGAD). It was the opinion that it would have been a fruitless exercise to issue a tender for the presentation of Module 1 to the additional 80 security officers. It was vital that

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 31.8 Supply Chain Management Policy (continued)					
NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
60	Request for shortening of informal tendering period : Appointment of service provider to assist in consolidation of inputs during the process towards the Growth and Development Summit	-	-	23 March 2007	<p>ISGAD be afforded the opportunity, for continuity and standardisation purposes, to present the additional module course.</p> <p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>Authority was granted for the reduction of the tender period from seven to three days in respect of the appointment of a service provider for the preparatory workshop of the Growth and Development Summit held on 8 and 9 March 2007.</p>
61	Upgrade and maintenance of software package	R48 452, exclusive of VAT	Iyanda Power Technologies	23 March 2007	<p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>COGNICASE-CYME is the author and licensor of the CYMGRD software used by the NMBM Electricity and Energy Directorate.</p> <p>COGNICASE-CYME appoints an exclusive agent to sell, renew licences and support their software. Their appointed agent in South Africa is Iyanda Power Technologies (Pty) Ltd. There is currently one Network licence, which needs upgrading and maintenance. The cost to upgrade and maintain versus the development of a new software package is enormous. It will take at least three years for any company to develop this software coupled with the existing data on the database. Taking into consideration the cost and time that will be needed to develop a new package, it is simply not practical for this</p>

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31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
					Directorate to consider.
62	Civic Entertainment SAFA Soccer Match – 25 March 2007	R21 900	EPRU Stadium - R11 400 Bojangles - R6 500 Spot-On Independent liquors - R4 000	26 March 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. On instruction of the Executive Mayor, the Office of the Speaker was requested to arrange for Councillors to attend the SAFA soccer match between Kaizer Chiefs and Bloemfontein Celtic on Sunday, 25 March 2007. The Executive Mayor viewed this as another opportunity to update the provincial and national guests on the readiness of the Municipality. SAFA sponsored 53 tickets, and Council had to incur expenditure for the remaining 67 Councillors, catering and drinks. Tickets and catering were obtained from the sole supplier at the stadium, and the drinks procured from a Municipal Standing Contract.
63	Modifications at Kelvin Jones Waste Water Treatment Works : Increase in approved contract price – Contract 5175	R804 711,35, inclusive of VAT, which will be subject to escalation.	URSA Civils	2 April 2007	In order to compensate for unforeseen costs that only manifested themselves during construction, the invitation of tenders be dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
64	Appointment of a professional service provider for proposed upgrade of the Langa Memorial, Uitenhage	R225 000,00, inclusive of VAT	Adendorff Architects and Interiors	14 May 2007	In terms of Section 36(1)(v) of the Supply Chain Management Policy. Because of the uniqueness of the project, i.e. being a Memorial and having been advertised as a design competition.
65	Signage, additions and alterations to the 2010 Directorate offices	Signage – R1 707, exclusive of	Signage – Green Room Design Company	16 May 2007	In terms of Section 36(1)(v) of the Supply Chain Management Policy. The Green Room Design Company was

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 31.8 Supply Chain Management Policy (continued)					
NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
		VAT Additions and alterations – R29 668.00, exclusive of VAT	Alterations and Additions – Africorp International Properties (Pty) Limited		responsible for the original signage on the windows as well as the signage in the lobby. It would be impractical to involve a different service provider for the additions and alterations to the offices, since the original layout of the offices was done by Africorp. They already had a floor plan and the new alterations and additions should fit in with the existing offices since most of the floor space on the fourth floor is still occupied by EDTA and after completion of the 2010 FIFA World Cup the offices will be occupied by EDTA again.
66	Appointment of proposed service provider for proposed enclosure of the Newton Park Swimming Pool : Erf 2178, Newton Park – Contract HL/00043	Total consultants fees not to exceed R1 213 059.16, exclusive of VAT	Thembela Architects	14 May 2007	As this project was advertised as an open competition for all registered professional architects within the Municipality, the invitation of tenders be dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
67	Payment for breakfast served at City Hall : Kaizer Chiefs and Bloemfontein Celtic Soccer Match – 25 March 2007	R1 500	Bobby's Food Emporium	2 April 2007	Due to the late notification of the proposed breakfast and the difficulty in obtaining the required number of quotes from service providers, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
68	Repair of stump grinder	R24 084,55, inclusive of VAT	Johnny Alberts Earthmoving Repairs CC	2 April 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Johnny Alberts Earthmoving Repairs CC was the only service provider willing to strip the machine and quote on it. The machine was

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31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
69	Repairs to macerators at Creek Sewerage Pumping Station	R164 410.00, exclusive of VAT	Northfield Engineering (Pty) Ltd	19 April 2007	<p>duly stripped to identify the fault and was standing in parts in his workshop. To have this procedure repeated by another service provider would have been impractical, and that division would fall further behind with its work backlog.</p> <p>In terms of Section 36(1)(a)(i) and (ii) of the Supply Chain Management Policy.</p> <p>On 28 March 2007, a long metal stove found its way into the Industrial stream of one of the environmental channel monster twin shaft grinders, bent the shaft extension and burnt out an electric motor. In order to keep Creek Pump Station operational, it was necessary to send mixed flows, i.e. industrial and domestic effluent in a common line to Fishwater Flats Waste Water Treatment Works. This interim emergency arrangement is contrary to the standards laid down by the Dept. of Water Affairs and Forestry, as the industrial effluent contains heavy metals, which require specialised treatment. Because of these reasons, the repairs had to be effected on an emergency basis. Northfield Engineering (Pty) Ltd are the sole distributors of macerators in the Eastern Cape.</p>
70	Follow-up Strategic Planning Session – Corporate Administration Directorate	-	Phumeza Mthombeni and Associates	7 May 2007	<p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>-The second session would be a continuation of the first session.</p> <p>-The said consultants would know where to pick up and proceed in line with the Corporate</p>

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31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
					Administration and Municipality's goals and objectives. -The said consultants quoted far less than the competitors.
71	GIS Software Maintenance	R1 058 069,62	GIMS	8 June 2007	In terms of Section 36(1)(a)(ii) and (v) of the Supply Chain Management Policy. ESRI software suite was used throughout the Municipality and GIMS being the sole distributor of ESRI products in South Africa.
72	Urgent repairs to Chatty-Motherwell 132 KV Overhead Distribution Line	R203 007,06, exclusive of VAT	Conco	8 June 2007	In terms of Section 36(1)(a)(i) and (ii) of the Supply Chain Management Policy. On 2 February 2007, an articulated vehicle collided with one of the Chatty-Motherwell 132 kV overhead line towers. Temporary repairs were carried out to the overhead line to ensure continuity of supply to the north-eastern areas. Due to the nature of the present overhead crossing, albeit safe, permanent repairs were required to the overhead line to restore it to normal. A specialist contractor (Conco), capable of effecting permanent repairs to the overhead line, was undertaking overhead line construction work in Port Elizabeth.
73	Contract 2110 – Occupational medical screening and surveillance	R108 300 / m until 31 December 2007	Dr J Lapere	8 June 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Continuation of project by the current experienced service provider.
74	Request for extension of project management services for NMBM to participate in RED3	R275,00 /h, exclusive of VAT, for a period not	J C Engineering Consulting Services	8 June 2007	Because of the importance for the continuation of the current experienced project manager for the NMBM RED 3 creation process, the invitation of tenders was dispensed with in

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 31.8 Supply Chain Management Policy (continued)					
NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
	Creation Process	exceeding 500 hours, total being R157 675,00.			terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
75	Increase in contract amount : Contract 2061 : New Brighton Oval Rugby Field	R159 809,78	Akhiwa and Abemi Joint Venture	8 June 2007	Because of unforeseen costs having been incurred resulting in an increase in the approved contract amount, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
76	Increase in contract amount: contract 5367: construction of civil engineering infrastructure at Chatty 3 and 4	R1 160 520, inclusive of VAT and subject to escalation	Masakeni Construction	8 June 2007	Because of unforeseen costs having been incurred resulting in an increase in the approved contract amount, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.